

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 SP-02 USIA-06 AID-05

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03

H-02 PA-01 PRS-01 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /107 W

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P R 301518Z SEP 76

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC PRIORITY 8815

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY EHLSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

USMISSION OECD PARIS UNN

USMISSION EC BRUSSELS UNN

USMISSION GENEVA

USMISSION MTN GENEVA UNN

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E.O. 11652: N/A

TAGS: ETRD, SW

SUBJECT: BALL-BEARING STEEL

1. THE DECISION OF US CUSTOMS OFFICIALS TO INCLUDE BALL-BEARING STEEL EXPORTS FROM SWEDEN WITHIN THE ALLOY TOOL
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STEEL QUOTA HAS JUST SURFACED HERE. THE DECISION HAS BEEN

TAKEN VERY HARD BY THE SWEDES AND THE EMBASSY IS GREATLY CONCERNED ABOUT THE POSSIBLE EFFECT ON US-SWEDISH RELATIONS AS THE NEW NON-SOCIALIST GOVERNMENT IS IN THE PROCESS OF TAKING OVER.

2. THIS CUSTOMS DECISION WAS FIRST BROUGHT TO OUR KNOWLEDGE BY MFA/COMMERCE OFFICIALS (WIIK, KARLSTROM, LILLIEHOOK) SEPT. 29 DURING COURTESY CALL BY EUR/NE DEPUTY DIRECTOR RONALD WOODS AND EMBASSY ECONOMIC COUNSELOR. SEPT. 30 SWEDISH PRESS CARRIED INTERVIEW WITH ERIK HOOK OF THE SWEDISH IRONMASTERS FEDERATION WHICH SPELLED OUT FEDERATION'S STRONG CONCERN (SEE SEPTTEL). SINCE SWEDEN IS IN THE MIDDLE OF THE PROCESS OF TRANSFERRING GOVERNMENTAL POWER TO A COALITION MORE FAVORABLE TO SWEDISH BUSINESS THAN THE SOCIAL DEMOCRATS HAVE BEEN, THIS NEGATIVE DECISION BY THE US IS POTENTIALLY EMBARRASSING TO US-SWEDISH RELATIONS, AND THE EMBASSY WAS SORRY TO BE CAUGHT BY SURPRISE.

3. WIIK INDICATED STRONG SENSE OF DISTRESS IN DISCUSSING THIS DEVELOPMENT. WE DO NOT NEED TO REPEAT DETAILS PROVIDED BY WIIK SINCE THEY ARE KNOWN IN WASHINGTON. WE UNDERSTAND THAT THE INTERPRETATION TO INCLUDE BALL-BEARING STEEL IN THE TOOL STEEL QUOTA THROWS ABOUT 7,000 MORE TONS UNDER THE QUOTA OF 8,500, ON AN ANNUAL BASIS, AND COULD LEAD TO THE RAPID EXHAUSTION OF THE SWEDISH QUOTA IN THE NEXT FEW WEEKS. THE GOS UNDERSTANDS THAT THE US CUSTOMS DECISION WAS INDEED A SURPRISE TO STR AND OTHERS WHO PARTICIPATED IN THE TALKS LEADING TO THE IMPOSITION OF QUOTAS IN JUNE. WIIK ALSO SAID AN INVESTIGATION IS TO BE UNDERTAKEN WHICH MIGHT CONSUME THREE MONTHS. MEANWHILE UNDER CIRCUMSTANCES EXISTING SINCE EARLY SEPTEMBER THE SWEDISH TOOL STEEL QUOTA COULD BE RAPIDLY EXHAUSTED. WHAT THE SWEDES WANT IS A QUICK DECISION TO EXCLUDE BALL BEARING STEEL AND THAT IT BE RETROACTIVE; PENDING THIS DECISION THEY NEED A WAIVER OF THE UNDERSTANDING THAT ONLY SIXTY PERCENT OF THE ANNUAL TOOL STEEL QUOTA BE FILLED BY DECEMBER.

4. ACTION REQUESTED. IT APPEARS TO US THAT EVERYONE LIMITED OFFICIAL USE

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BUT US CUSTOMS WAS SURPRISED BY THIS DEVELOPMENT. WE BELIEVE THAT THE NEW NON-SOCIALIST GOVERNMENT HERE SHOULD NOT BE FACED WITH A DISAGREEMENT WITH THE US OVER STEEL IMPORT QUOTAS AS ITS FIRST ORDER OF BUSINESS IF SUCH A DISPUTE CAN BE AVOIDED. THE EMBASSY URGES THAT IN THE INTEREST OF OUR RELATIONS WITH SWEDEN, AND ALSO AS A MATTER OF EQUITY, THAT THERE SHOULD BE A RAPID AND EFFECTIVE RESTORATION OF THE SWEDISH QUOTA SITUATION

AS CLEARLY UNDERSTOOD IN JUNE. THE AMBASSADOR REQUESTS
BACKGROUND DATA AND INFORMATION ON THE US POSITION
PROMPTLY AND REQUESTS THAT FUTURE EXCHANGES ON THIS
MATTER IN WASHINGTON BE REPORTED TO US ON A CURRENT
BASIS.
SMITH

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